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1726 Alamo Avenue
Colorado Springs, CO 80907
January 6, 1995

FCC MAIL ROOM

Office of the Secretary
Federal Communications Commission
Washington, DC 20554

Dear Sir or Madam:

Enclosed you will find comments solicited by the Federal Communications Commission (FCC) regarding the auction of F block licenses for broadband PCS. This request was issued on December 23, 1994, in a News Release from the FCC.

The comments are based on my personal view of designated entity challenges in the F block license auctions and the FCC's desire to ensure that small businesses, minority-owned businesses, and woman-owned businesses can achieve success against major companies providing wireless service in the same geographical areas. As requested, I have provided an original and nine copies such that each Commissioner may receive a copy of my comments.

I will appreciate your cooperation and thorough review of my comments and recommendations.

Sincerely,

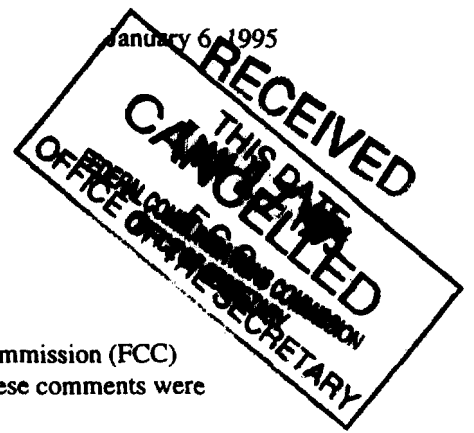


Brian C. Newman

Enclosures

No. of Copies rec'd 1
List A B C D E

Comments Regarding the Auction Process for Broadband PCS Licenses in F Block



This document addresses comments requested by the Federal Communications Commission (FCC) regarding its planned auction process for F block licenses for broadband PCS. These comments were requested by the FCC in a News Release published on December 23, 1994.

Comments will be provided in the following sections on topics outlined by the FCC. These include:

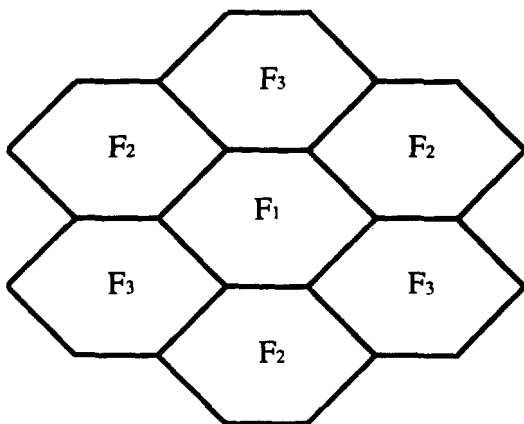
- Combined Auction Process for D, E, and F Blocks
- Administration of Combined Auction for D, E, and F Blocks
- Suggested Rule Changes for Combined Auction

A final section will discuss technical concerns regarding the combined auction process.

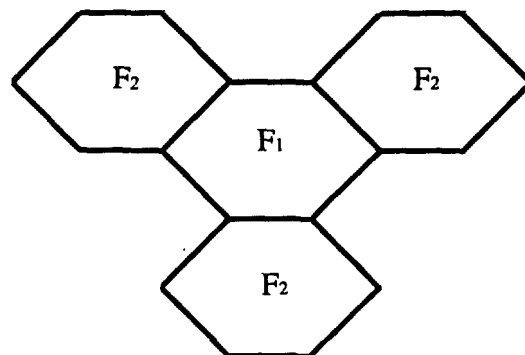
Combined Auction Process for D, E, and F Blocks

I strongly favor a combined auction for the D, E, and F broadband PCS blocks for several reasons. Under the current situation, large corporations will have achieved broadband PCS licenses in all MTA's by early Spring, 1995. Many have already completed build-out and staging plans to provide initial wireless communications service for PCS within a matter of one year. For smaller companies who cannot afford to participate in the C block auction or who feel that 30 Mhz of spectrum is too much for their planned services, separate and sequential auctions for D, E, and F blocks would put them at a time disadvantage to larger competitors in beginning construction and deployment.

In many cases, PCS license block spectrum is either too great or too little. Given current radio interface standards, 10 Mhz may be too little to provide quality service to an area while 30 Mhz may be too much. As an example, in spread-spectrum technology bandwidth needed for each cell is roughly 5 Mhz. Thus, with a 10 Mhz license, a business cannot fully cover a geographical area economically since there are only two available channels. The diagram below shows spread-spectrum coverage under a minimum 15 Mhz of spectrum versus the D, E, and F block allocation of only 10 Mhz. Thus, an entrepreneur deploying some types of PCS technology may need more than 10 Mhz.



Geographical Coverage Under 15 Mhz of Spectrum,
Given Spread Spectrum Use of 5 Mhz per
Frequency Channel ($F_1 + F_2 + F_3 = 15 \text{ Mhz}$)



Geographical Coverage Under 10 Mhz of Spectrum,
Given Spread Spectrum Use of 5 Mhz per
Frequency Channel ($F_1 + F_2 = 10 \text{ Mhz}$)

Also of importance, there are greater financial burdens in either situation where a DE has acquired a 10 Mhz block or a 30 Mhz block. In a scenario where a Designated Entity (DE) has only 10 Mhz of spectrum, additional expenses will be required to configure equipment to operate in the narrow bandwidth. As a result, quality of service and coverage may be sacrificed. In contrast, 30 Mhz may be far too much spectrum for a geographical area, resulting in overpayment for radio spectrum that may not be utilized; this is particularly applicable in rural areas. Thus, providing DE's an opportunity to purchase 20 Mhz in two separate blocks may meet the unique service needs of that DE and result in greater cost-effectiveness. The FCC's reward in this case is that it furthers Congress' aim to support small businesses and likely reduces the possibility of default by winning DE bidders.

Administration of Combined Auction for D, E, and F Blocks

I agree with the FCC's statement that the agency will be better prepared to administratively accommodate a combined auction process of 1,479 licenses for D, E, and F blocks. In the C block auction process, I fully expect many technical and communications issues will arise due to inexperience or lack of knowledge of the bidding process by the many individuals and DE's expected to participate. Recognizing problems that develop and addressing them will facilitate a smoother auction process for the D, E, and F blocks.

Suggested Rule Changes for Combined Auction

Several rule changes should be made to facilitate the combined auction of D, E, and F license blocks. First, DE's should be provided preemptory access to the D or E license blocks. In essence, this means that a DE has first right to the license for a BTA so long as it meets minimum bid rules and qualifies based on existing auction rules. Should a DE not meet the minimum bid or no DE bid on a particular BTA, then the BTA would be open to other qualified bidders such as large corporations. A problem inherent with keeping the D and E blocks open to all qualified bidders is that large corporations may purchase these blocks simply to stop any additional competition in their MTA. This would be detrimental to smaller businesses which have identified an unfulfilled niche less important to a larger corporation where an additional 10 Mhz is warranted. Bidding credits alone would not suffice, in this case, since at least one current MTA auction participant has openly stated its plans to fully control its license area at almost any cost (i.e. Pacific Telesis).

Recognizing that giving DE's preemptory rights may be difficult to control administratively, an alternative would be to allow any winning bidder to sell use of the spectrum to a DE that has already acquired a D, E, or F license in the same BTA. The rate would be based on the DE's winning bid, annually adjusted for inflation. The selling of spectrum would be required where the winning bidder has no presence or no plans for presence for a geographical area that is part of the BTA (i.e. a rural town) within a defined period of time such as 3 years.

One problem that some DE's may face where multiple license blocks are needed is participation by speculators. A number of interests appear to be forming as DE's to bid on licenses, win them, and then re-sell them to larger DE's within a short time period. In essence, this short-changes the FCC and delays wireless systems that benefit the public at large. I request that the FCC actively monitor participants to ensure they are bona fide entities dedicated to providing wireless services to customers. This may require additional rules requiring build-out and staging plans for FCC review.

I strongly favor the lifting of collusion rules as discussed in the News Release of December 23, 1994. There are a number of smaller businesses interested in participating in PCS service. As has been the case in the past, smaller companies are able to move faster and are generally the innovators of new services and features. Allowing DE's to talk to other DE's and potentially large corporations would facilitate their entry into markets faster and possibly allow them to establish regional and national roaming service for customers.

Installment payment rules, bidding credits, tax credits, and upfront payment rules should be extended to DE's participating in the D and E block auctions. The major problem for small businesses is financial -- getting investment capital, generating cash flow, and eventually earning a profit. By providing DE's with special payment rules and credits, they can more likely achieve the money needed to get started sooner and

subsequently turn a profit sooner. The US economy benefits from more jobs, and the FCC benefits from receiving license payments from companies more likely to be viable.

Technical Concerns Regarding The Combined Auction Process

I have few technical concerns with regard to a combined auction process for the D, E, and F blocks. While 1,479 licenses is substantial, most entrepreneurs should be versed in technology enough to handle the information flow for the bidding process.

Conclusion

I sincerely appreciate the FCC's solicitation of comments regarding combining the auctions of D, E, and F PCS broadband licenses. I hope that you will duly consider my comments and implement them. I believe in the agency's long-term view of PCS and certainly hope to be a part of its construction.